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FREE TRADE

ADDRESS

Delivered to the Dundee and District Free Trade Association, 20th Jan., 1908, by
The Rt. Hon. LORD AVEBURY,
Lord Rector of St. Andrews, F.R.S.,
D.C.L., LL.D., Pres. Soc. Ant., For.
Sec. R. Acad., Germ. Order Pour le
Mérite, Com. Legion of Honour.



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1908.

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CAXTON HOUSE,
WESTMINSTER, S.W.

FREE TRADE

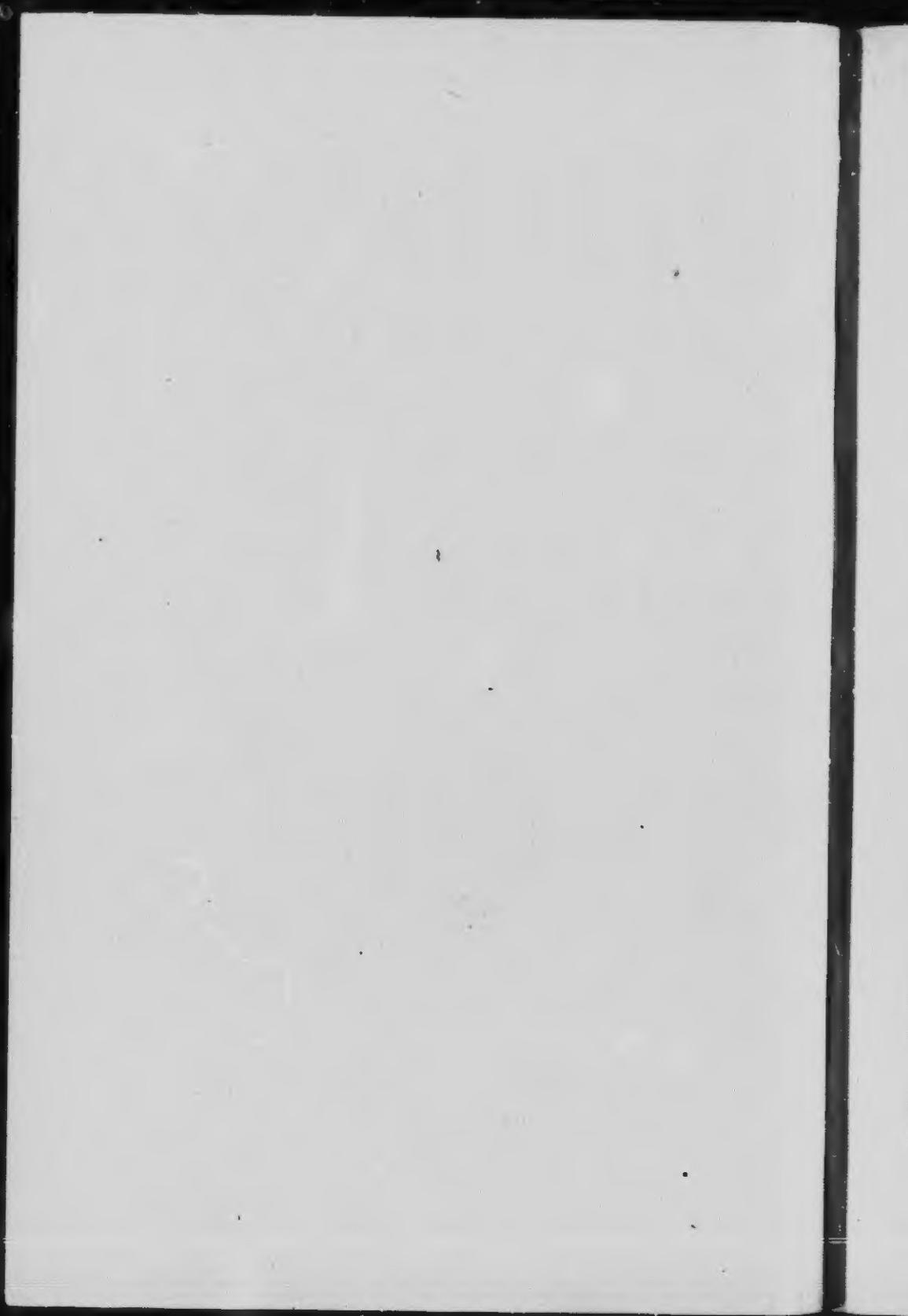
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CAXTON HOUSE, WESTMINSTER, S.W.

February, 1908



FREE TRADE.

THE world has been so arranged by Providence that different countries have different climates, soils, minerals, plants, and animals. The tropics produce certain fruits which will not ripen in the open air with us, while we, on the other hand, are rich in coal and iron. We used to make wine, but we find it better to buy the clarets and champagnes of France, the hocks of Germany, the port and sherry of Portugal and Spain, paying for them with coal, iron, cotton and other goods.

Even in one great article, such as iron, there are different qualities—in the first place, of ore, and even of the metal itself; so that we import certain classes of iron and export others—for instance, from and to Germany.

Some differences are even more subtle.

The character of the water is supposed to give some places an advantage as regards certain manufactures.

The dryness or dampness of the air has important consequences. For the finer qualities of cotton thread the air of Lancashire is said to be especially suitable.

Moreover, when an industry has flourished for a time in one district, the inhabitants acquire special gifts and aptitudes. The excellence of claret

depends partly, no doubt, on the climate and soil of France, but much also on the skill of the French workmen. The people of Lancashire have acquired remarkable skill in cotton manufactures ; Yorkshire is celebrated for its woollens ; Dundee for jute.

Differences such as these have formed the basis and constitute the advantage of Commerce. The products of one country are exchanged for those of another. Goods are paid for in goods.

Of course, there is one drawback in Commerce, namely, that the transport involves a certain expense. It is evident that goods will not be sent from one country to another unless the cost of transport is covered by the difference of price.

Hence, it has always been considered an advantage to improve the means of communication, to construct roads, build harbours, and, more recently, railways, in order to promote Commerce.

But if the Protectionist view is correct, this is a great mistake. Bad roads, the absence of railways, a stormbound coast, the absence of harbours are a merciful dispensation of Providence to protect native industry by keeping out foreign goods.

It follows logically from the extreme Protectionist view that the more unsuited an object was to our climate and soil the greater the advantage of producing it. Tropical fruits, for instance, such as oranges or bananas, would be specially important, because they would provide so much employment for our people !

Let us suppose for a moment that the Hague Conference had succeeded in abolishing armaments, and that duties were no longer necessary for revenue. Would anyone seriously suggest that they should be imposed in order that by the imposition of barriers Commerce might be improved? Germany does not suppose she would improve trade by erecting barriers between Saxony and Prussia. Why, then, between Germany and Switzerland or Austria? Across the Atlantic no one would propose to improve the trade of Massachusetts or New York by imposing duties between them. Then why between them and Mexico or Canada?

We know the ideal of Free Traders—viz. that each country should produce those commodities for which it is best suited, and with them purchase the products of other countries.

But what is the ideal of Protectionists? Suppose they succeeded in protecting all industries by sufficient duties. Of course that is an extreme case, but in such an economical paradise nothing would be imported. We should grow or manufacture everything for ourselves. Instead of Spanish we should have hothouse oranges, for those who could afford them; cowslip wine instead of claret or champagne, and so on.

Imports are the price we receive for our exports. They are the price at which we sell them. But, if we get nothing from over the water, how

about our exports? Do Tariff Reformers propose that we should give them away? If not, the results of this economical Elysium would be that our exports would cease. Commerce would be at an end, and Britons must content themselves with what Britain can produce. It is evident that, if carried to its logical conclusion, Protection of British industry is synonymous with the destruction of British Commerce, and every step in the direction of Protection, so far as it goes, has the same tendency.

Mr. Balfour, speaking in the House of Commons last Session (May, 1907), said, and I think said wisely:—

"If by Protection is meant—and it is probably the most accurate scientific meaning of that much abused term—a policy which has for its object the diverting of the trade and commerce of a nation or of the world from its natural channels by artificial legislative means, that has never been, and is not now, any part of the policy which I recommend." *

When Mr. Chamberlain took up this question with his usual energy and ability, he did so on two grounds:—

1. Because in his judgment our Commerce was dwindling.
 2. In order to draw us more closely to the Colonies.
- Let us consider both of these arguments.

* 1907, Hansard, p. 837.

As regards the first, we have had four years' experience. Have they borne out the Protectionist apprehensions or our confidence in Free Trade?

IS OUR TRADE SUFFERING?

Mr. Chamberlain told us in vigorous and picturesque language that "agriculture, as the greatest of all industries of this country, has been practically destroyed. Sugar has gone; silk has gone; iron is threatened; cotton will go! How long are you going to stand it? At the present moment these industries and the working men who depend upon them are like sheep in a fold. One by one they allow themselves to be led out to slaughter, and there is no combination, no apparent provision of what is in store for the rest of them."*

Now four years have passed, and how do we stand? No one will allege that agriculture has ceased.

The Exports of the goods specially mentioned by Mr. Chamberlain from the United Kingdom in 1902 and 1907 were:—

	1902.	1907.
	£	£
Silk.....	1,100,307	2,010,796
Wool	24,237,826	37,368,989
Iron and Steel	29,214,100	47,235,177
Cotton	72,458,100	110,438,231

* Speech at Greenock, 7th October, 1903.

The total trade of the United Kingdom has been as follows :—

£		£	
1895.....	702,522,065	1905.....	972,616,444
1900.....	877,448,917	1907.....	1,072,108,772

But as Protectionists attach more importance to Exports than to Imports, it may be well that I should give the Exports separately. They are as follows :—

£		£	
1895* ...	226,000,000	1905.....	330,000,000
1900.....	291,000,000	1907† ...	426,205,000

It cannot then be alleged that a change is necessary, because our Commerce is suffering. On the contrary, it has expanded marvellously.

We cannot expect an increase on this scale to continue indefinitely, and must be prepared for bad times to return.

But it is often said that Protectionist countries have prospered even more. Is this so?

Let us compare our Commerce with that of the three principal Protectionist countries.

	EXPORTS.			
	United Kingdom.	United States.	France.	Germany.
£	£	£	£	£
1900‡	291,000,000	286,000,000	164,000,000	227,000,000
1907¶	426,000,000	395,000,000	221,600,000	338,000,000
Increase	135,000,000	109,000,000	57,600,000	111,000,000

* Stat. Abs. United Kingdom (Cd. 3,691), 1907, p. 63 and table 46.

† Board of Trade Return, United Kingdom, 1907, 7, XI., p. 5.

‡ St... Abstract Foreign Countries, 1907, p. 58.

¶ Trade Return, 1908, 69, XI., p. 5.

Thus, then, with a much smaller population than either Germany or the United States, our increase was larger than theirs, and with a population about the same as that of France it is more than double.

Moreover, it is well maintained up to the very last year. In 1907, as compared with 1905, the increase of France was 13.9 per cent., of Germany 19.8 per cent., of the United States 18.5 per cent., and ours 29.2 per cent.

Let us look at it from one other point of view, and contrast Commerce and Population.

1907.

	Population.*	Exports.†
		£
Under Free Trade.		
Britain	43,659,000	426,205,000
Under Protection.		
France	39,250,000	221,681,000
Germany	61,102,000	337,722,000
United States	84,154,000	394,881,000

Thus, if we contrast our Exports with those of the three principal Protectionist countries, we find that with half the population of the United States we export £31,324,000 more; with 17,000,000 fewer people than Germany we export £88,483,000 more; with 5,000,000 more people than France we export £204,524,000 more.

* Trade Return for Foreign Countries, 1907, 69, p. 5.

† Trade Return, 1908, 69, XI.

The Exports of Germany in 1905 were £4 14s. 3d. per head; of France, £4 16s. 11d.; of the United States, £4 0s. 2d.; ours, £7 12s. 9d.!

And yet we are seriously asked to abandon our system and adopt theirs!

Look again at our trade with Protectionist countries as against theirs with one another:—

IMPORTS INTO FRANCE FROM THE FOLLOWING COUNTRIES :

	1905.	£
United Kingdom	23,699,720	
Germany	19,089,400	
United States	20,490,960	

IMPORTS INTO THE UNITED STATES FROM THE FOLLOWING COUNTRIES :

	1905.	£
United Kingdom	35,162,400	
Germany	23,653,600	
France	17,966,000	

We are continually told that Germany is progressing more satisfactorily than we are because her Commerce is increasing per cent more than ours. The fallacy of this argument is well pointed out by our Consul-General for Belgium, Sir Cecil Hertslet, in his last Report (1906) to the Foreign Office on the Shipping of Antwerp.

He says that statistics might "give rise to the impression that the tonnage of German vessels entering Antwerp is rapidly overhauling that of

British vessels. Take, for the sake of example, the figures of British and German shipping." Taking percentages it might seem that German tonnage is increasing greatly in comparison with British tonnage. "If, however, the statistics are taken," he says, "by actual figures rather than by percentage, it will be seen that not German but British shipping is in reality increasing the more rapidly. In eighteen years the twelve months' total of British shipping has increased by 3,243,486 tons, while German shipping has only increased by 2,352,800 tons; it is obvious, therefore, that German shipping can never overtake British shipping at Antwerp at the present rate of progress."

So far, then, as figures and the state of our Commerce are concerned I submit that there is no case for a change. But Mr. Chamberlain has pointed out that figures are not conclusive, though useful as illustrations.

The Commerce of a Free Trade country might fall off from various causes—war, pestilence, the exhaustion of mines, etc.—without affecting the argument for Free Trade.

ON WHOM DO DUTIES FALL?

Now in considering this question one most important problem is: On whom do the duties fall? On this vital question Protectionists are very in-

consistent. They admit that the people of the importing country pay the duties, and yet they allege that we can benefit the importing country by imposing them.

Free Traders, on the other hand, are quite consistent. We maintain that as a rule—in 999 cases out of 1,000—I might say in 9,999 out of 10,000—the consumer pays the duty. This may, I think, be clearly brought out if we consider the course, say, of the wheat trade.

When wheat comes, say, from Argentina, the vessel "calls for orders" at Queenstown, Plymouth, Havre, Southampton, or some other European port. The merchant carefully compares the prices at the principal markets, calculating all the expenses—freight, insurance, port dues, etc., including of course the Customs duty—to a fraction. If he finds that the highest price, including the duty, is at Berlin, to Berlin it goes; but it will not go to Berlin until the price there has risen to cover all the charges, including the duty. If, after allowing for all other charges, the price in London and Berlin is the same, the wheat will, of course, be sent on to London. There being no duty in England, and assuming the German duty to be 12s. 2d. a quarter, no wheat will go to Berlin until the difference in price exceeds, or at least equals, the German duty. It is surely, therefore, obvious that the consumer pays the duty. As a matter of fact, the price of wheat in Berlin

as compared with London rules rather more than the duty.

The *Economist*, on November 30th, 1907, pointed out that: "While the Berlin workman has to pay 6d. for a 3-lb. loaf of black bread, the London workman gets a 4-lb. loaf of white bread for 5½d."

But then it is often said that the price in France, where there is also a duty, is sometimes no higher than in England. The explanation is really very simple. The Board of Trade* point out that "the degree of dependence of France on foreign wheat supplies varies very greatly from year to year."

Even when the importation was at a minimum the price in France was as a rule substantially above that in England. When, however, France had a bad harvest, and consequently a considerable importation, the price was enhanced even more than the amount of the duty. The average difference of price was, in fact, 2s. 5½d. more than the duty.

But then we are told that when the late Government imposed a tax of 1s. a quarter, the price of bread was not raised, and when it was taken off again the price did not fall. Here, again, the explanation is very simple. The harvest affects the price by several shillings. If a tax of 1s. a quarter is put on, and there is a good harvest, the harvest affects the price by perhaps ten times the amount

* Memorandum, 1902.

of the tax, and it is quite possible, therefore, that even though a tax be imposed the price may fall.

I have said that even our opponents admit that the consumer pays the duties.

They propose to omit maize and bacon from the suggested duties. Why do they do so? Because maize and bacon are the food of the very poor. This is a clear admission that the consumer pays them. If the foreigner pays them why not impose them?

A defeated Unionist candidate for one of our Southern Counties said to me recently that he should never stand again as a Protectionist. The labourers and artisans protested against duties on corn; the lawyers and doctors, clergymen and school-masters, complained that they would have to pay more for their food and clothing, for houses and books, and, on the other hand, would gain nothing; even the farmers, except the comparatively few who grew wheat for sale, complained that they would lose more than they would gain.

And how about manufacturers? I was talking to a partner in one of our greatest shipbuilding firms—a man who had been a Liberal Unionist, but had gone over at the last election.

"How could I help it?" he said. "My business depends on cheap iron and cheap materials generally. At present we have the shipbuilding of the world. Neither the United States, nor Germany, nor France can compete with us because they are handicapped

by Protection. If our materials were taxed we should be ruined, and thousands of our men thrown out of employment."

I have shown, then, how Germany and France and the United States injure themselves by their Protective policy. No doubt a few gain by it, but it is estimated that not more than 5 per cent. of the population do so. The other 95 per cent. pay more than they need for the necessaries and comforts of life. So far as we are concerned, it is by no means clear that we should benefit if countries producing goods similar to ours were to adopt Free Trade. They would certainly become much more formidable rivals.

Then we are continually told that the new duties are to be kept low. That again presupposes that the consumer pays them. If the foreigner pays them, why keep them low? The higher they are the better.

This retrograde policy is often supported as a means of attacking the protective policy of foreign countries. But I have no hesitation in affirming that it has greatly strengthened the Protectionist party in foreign countries and in our Colonies. They naturally point with exultation to the fact that Free Trade is being attacked even in the country of Peel and Cobden and Bright.

Senator Pulsford, a leading Australian Free Trader, tells us that: "If supporters of Preference

in the United Kingdom could but know how they have strengthened the barriers that exclude British goods in Australia, and probably throughout the world, they would feel both sorry and ashamed."

It is, I think, clear that we have benefited by our Free Trade policy.

But now let us endeavour to analyse the effect of Protection on one of the most prosperous Protectionist countries—namely, Germany.

EFFECT OF DUTIES ON TRADE.

The Germans are men of our own race—pains-taking, hardworking, intelligent, and as well educated as, if not commercially better than, we are.

The Gilchrist Thomas process, moreover, has rendered much of the German iron ore for the first time available, and thus given an immense stimulus to their iron industry.

The Germans are nearly 18,000,000 more than we are—almost half again as numerous—but their exports are much lower.

German manufacturers complain bitterly, and with reason, of the favour shown to certain trades, and the unfair disadvantage at which others are placed. The *Halbzeugerbraucher*, for instance, the organ of the consumers of semi-manufactured steel, has issued a statement in which, after quoting the low prices charged by the Steel Union in the foreign market, it says:—

"Buyers of German semi-manufactured steel, that is, the foreign rolling mills, are thus, by means of this supply of the German raw material, placed in a position to dispose of the rolling products and finished goods at such low prices that the German export of the same products is handicapped to an extraordinary degree—in fact, made almost impossible.

"The consumers of semi-manufactured steel are exasperated over this 'dumping' of German raw material abroad, because it only promotes the foreign trade in manufactured articles at the expense of the German manufacturers of similar products, and ousts the latter from competition in the foreign market." *

Thus, as the Board of Trade† points out: "One striking result of the dumping policy is that by supplying manufacturers abroad with materials at low prices the German syndicates make it possible for these foreigners to compete on very favourable terms with their rivals in Germany in regard to the sale of finished products."

In fact, while their artificial and elaborate system has artificially fostered and coddled some of their trades, it has injured and practically destroyed others.

The Report for 1902 of the Cologne Chamber of

* Quoted in the "Free Trader," November, 1904.

† Memoranda, etc., 1903, loc. cit., p. 304.

Commerce complains that German half-manufactured goods "are sold in the trade centres of England at 10s. a ton less than in Germany," and the result is that "the German finished wares cannot be exported to Great Britain," and of course are heavily handicapped elsewhere.

Similar considerations apply to many other trades.

Foreign and Colonial statesmen, and now, alas, some of ours also, seem to ignore the fact that the imposition by any country of high protective duties tends to shut that country out of foreign markets. Fences, indeed, always shut out more than they shut in.

The Protectionist policy of Germany, France, the United States, and other countries gives us a great advantage, and places them at a great disadvantage in neutral markets.

Take, for instance, the trade with India. India gives us no preference. The products of other nations are admitted on the same terms as ours, but look what a supremacy we owe to our Free Trade policy. The imports of India* are £50,000,000, and of this no less than £38,000,000 came from the British Empire, and most of the rest consisted of articles which we do not produce.

The imports from Germany were only £1,500,000; from the United States, £800,000; from France,

* I take the year selected as typical by the Indian Government in their reply to our Government on the question of Preferential Tariffs (Cd. 1931, 1904).

£800,000; and even of these comparatively trifling amounts a substantial proportion consisted of articles, such as wine and oil, which we do not export.

Or take Argentina. She imports from the United Kingdom 37,000,000 pesos; from the United States, 13,000,000 pesos; from Germany, 13,000,000 pesos; from France, 9,000,000 pesos.

Take again China. We export to China 58,000,000 taels. This, moreover, is exclusive of Hong Kong, which would raise it to 231,000,000, and a great deal of which is British. Now what is the trade of other countries? The continent of Europe—Germany, France, Russia, Austria, Italy—in fact, the whole of Europe together send 19,000,000—19,000,000 only!—about one-third of ours.

The United States are more favourably situated for trade with China than we are; their population is nearly double ours. What do they send? Thirty million taels! Scarcely more than half as much as we do.

I cannot doubt that but for their Protective policy the trade of these great countries would have been far more important in these neutral markets, and that if we follow the policy of Germany and France we have much to lose and little to gain.

ON DUMPING.

Commerce after all is only shopping on a large scale. We go into the market of the world to buy

what we want, as a customer goes into a shop to buy what he wants. Yet our Tariff Reformers cry out because they allege, not that foreigners charge us too much, but that they sell us their goods too cheap.

In two well-known lines Canning once complained that

"In matters of Commerce the fault of the Dutch
Is giving too little and asking too much."

But the complaint now is that foreigners, and especially Germans, are said to charge their own people too much, and us too little. If they do, or so far as they do, I could understand Germans crying out, but it seems a singular grievance for us to complain of. Those who sell goods below cost price are more likely to be ruined than those who buy them.

EFFECT OF PROTECTION ON THE PROTECTIONIST COUNTRY.

No doubt Protectionist countries retain to some extent their own markets—the United States that of 80,000,000 people, Germany of 70,000,000; but to do so they cripple themselves in the world's trade—that of 1,500,000,000 people—surely a very bad bargain!

We used to hear great complaints about the United States duty on tin plates, and the case is interesting and instructive—not to say amusing. It has been admirably told by Sir J. J. Jenkins (Lord Glantawe), who knows the trade intimately. As soon as the duty was suggested, the price went up

in the United States, and our manufacturers sent over large supplies, on which they made a magnificent profit. When the tariff came into operation, the trade of course fell off. But the change proved disastrous to the American industries dependent on tin plates. The American fruit growers could no longer compete with those of Mexico. Millions of bushels of fruit and vegetables were left to rot on the ground. Canadian salmon could be canned much more cheaply than those of the United States, so that if our tin plate manufacturers suffered in the United States, their trade with other countries was increased. Eventually the outcry in the United States became irresistible, Congress agreed to give a rebate of no less than 99 per cent. of the duty, and at present almost the whole of the canned goods exported from the United States are packed in Welsh tin plates. This rebate on the Welsh tin plates is more than the cost of the carriage and insurance, so the result of the American duties, therefore, is that Californian fruits are sold in London as cheap, or even cheaper than, in San Francisco.*

I may add that the tin plate industry in America employed 15,000 people, and the canning industries 2,000,000; so that the net result is to benefit 15,000 people to injure 2,000,000, and to give us cheap fruit and salmon!

* Dip. and Cons. Reports, 2988, June, 1903.

This is a good illustration of the absurd results which arise from Protection!

Speaking of this "vanishing industry," the *Times** says: "The year which has just closed has been, perhaps, the most prosperous one on record. . . . While there has been such extraordinary prosperity in the Welsh tin plate industry; in America, notwithstanding the existence of a tariff, there are now only 20 per cent. of the tin plate mills at work."

No one would, of course, deny that Protection benefits the trades protected—at least for a time—but it is at the expense of the rest of the community, and very delicate questions arise as to which trades are to be subsidised and which are to be taxed. This part of the question has been discussed by one of the leading Fiscal Reformers—Professor Ashley, Professor of Economics in the University of Birmingham. You cannot, he justly observes, leave the determination to Government, because you would place in their hands a gigantic opportunity for bribery; you cannot entrust it to the commercial community, because every trade would demand Protection for itself; you cannot leave it to the House of Commons, because you would create an endless amount of lobbying and corruption.

Mr. Ashley's suggestion is to leave it to the Professors of Economy in the new Universities. I

* Financial and Commercial Supplement, Jan. 3, 1908.

do not understand why he would exclude the old ones, but however much there may be to be said for the suggestion, you will, I feel sure, agree with me that neither the Government, the commercial community, nor Parliament are likely to adopt it.

Mr. Bayard, when United States Ambassador to Great Britain, in a speech before the Edinburgh Philosophical Association, shows how Protection has lowered the tone of public life in the United States : " In my own country," he said, " I have witnessed the insatiable growth of that form of State Socialism styled 'Protection,' which, I believe, has done more to foster class legislation and create inequality of fortune, to corrupt public life, to banish men of independent mind and character from the public councils, to lower the tone of national representation, blunt public conscience, create false standards in the public mind, to familiarise it with reliance on State aid and guardianship in private affairs, divorce ethics from politics, and place politics upon the low level of a mercenary scramble than any other single cause."

TARIFF NEGOTIATIONS AND TARIFF WARS.

Another reason which is alleged for the imposition of duties is retaliation ; and, as we are told, to have something to bargain with. Because France

imposes duties on our goods we are to inflict on ourselves an injury by imposing duties on hers.

We are told that duties will supply us with a weapon; but I must observe as a man of business that a weapon is all very well as against an enemy, but it is a poor means of securing a customer.

Moreover, France and Germany, the United States and Russia are trying this plan, and have been trying it for years, without the slightest success.

It must also be remembered that if any Protectionist country did succeed in obtaining any advantage, we should share it under the most favoured nation clause.

Nor have we only the experience of foreign countries. We have tried it ourselves. We had Protection for years, and Mr. Gladstone has recorded that, when he was at the Board of Trade: "From 1841 to 1844 we were anxiously and eagerly endeavouring to make tariff treaties with many foreign countries. And the state of our tariff, even after the law of 1824, was then such as to supply us with plenty of material for liberal offers. Notwithstanding this, we failed in every case. I doubt whether we advanced the cause of Free Trade a single inch."

The truth is that Tariff wars, like others, are most injurious to those who enter into them. The most important cases of late years have been the Tariff wars between France and Switzerland, Germany and Russia, and France with Italy. The re-

sults are given in a most interesting Blue Book,* which shows that in every case they were disastrous to both the countries engaged.

It is sometimes said that our early Free Traders advocated Free Trade because they believed that other countries would follow our example. That is quite a mistake.

Sir R. Peel, for instance, speaking in the House of Commons in 1846, said: "Hostile tariffs, so far from being an argument against the removal of restrictive duties, furnish a strong argument in its favour."

And again, three years later, in 1849: "I contest the principle that you cannot fight hostile tariffs by free imports. I so totally dissent from that assumption that I maintain that the best way to compete with hostile tariffs is to encourage free imports. So far from thinking the principle of Protection a salutary principle, I maintain that the more widely you extend it the greater the injury you inflict on the national wealth and the more you cripple the national industry."

It is understood now that so-called Tariff Reformers, or, at any rate, some of them, wish to see duties placed on imports generally, with the exception of so-called raw materials. In fact, however, all imports are in a sense raw materials, but this I pass by.

* Report on Tariff Wars between certain European States, Cd 1938, 1904.

The policy is a return to the evil days preceding the great reform of Sir R. Peel. It was found that these numerous duties were vexatious, expensive, and a great interference to Commerce.

They were abolished with general consent, and yet it is now proposed to re-establish them.

The result, of course, would be a general rise of prices, and it is difficult to see how it would be an advantage to the country to raise the general cost of living.

COLONIAL PREFERENCE.

And now I come to the question of Colonial Preference. I should be glad if we could have a zollverein for the British Empire. That, unfortunately, is at present impossible. The Colonies will not agree. Some of them have, however, in one sense given us a preference. We are grateful, and acknowledge their friendly intentions, which have proved as great an advantage to them as to us; but, as Mr. Chamberlain pointed out to the Colonial Premiers at the Conference in 1901, Canada has so arranged her duties that, in spite of the preference, "foreign produce at the present time in Canada has still a lower average tariff than British produce"; and he continued:—

"What return has been made to them by the foreigner for the advantage which the foreigner has derived from their tariff? The exports from Canada to foreigners have decreased 40 per cent.,

while the exports from foreigners to Canada have, as I have said, largely increased. On the other hand, in spite of the tariff, in spite of everything, in the natural course and communication, the exports to the United Kingdom have increased 85 per cent. in fifteen years, and the net result is that, in spite of the preference which Canada has given us, their tariff has pressed, and still presses, with the greatest severity upon its best customer, and has favoured the foreigner, who is constantly doing his best to shut out her goods.

"Now what is the present position? . . . We take already by far the largest proportion of Colonial exports, but there is not the least doubt that we might double or treble the amount that we take, but we cannot do so until we have the reciprocal advantage, and until you take in exchange a larger proportion of our goods, and so enable us to pay for the imports which we should receive from you." *

We have given the Colonies long ago a free market for all their produce, while they almost all endeavour to exclude our manufactures. It would be only fair that they should treat us as we treat them. At present the duties of various foreign countries are lower than those of our own Colonies. Canada, for instance, imposes 17 per cent. on our goods, Holland less than 3 per cent. The Colonial

* Mr. Chamberlain, Colonial Conference, Cd. 1299, 1902.

duties, moreover, are avowedly Protectionist. We give our producers no advantage in our markets over theirs; they give their producers an advantage of from 10 to 20 per cent. over ours.

They insist on what they call "adequate" Protection. Adequate for what? To keep our goods out when they compete with their own manufacturers. As a witty Australian Free Trader said: "They will only admit our goods on payment of a duty which will keep them out."

THE COLONIAL POLICY.

They are themselves, as we believe, the greatest sufferers from their policy.

Canada is in winter a very cold country; she has immense tracts of fertile land which might be opened up by more railroads, and yet in order to benefit a few manufacturers she artificially raises the price of warm woollen clothing, and checks the development of railways by raising the price of rails! The great sufferers from this short-sighted policy are, of course, the people of Canada themselves. Their population might be most profitably engaged on the land, and they are themselves the great sufferers by their own policy. But no doubt it also checks our trade. Yet who would propose to retaliate on Canada?

Australia has millions of acres of uncultivated land. Agriculture would fully occupy many times

her present population ; it is her most remunerative industry ; and yet her policy is to discourage agriculture and keep her people in cities, and on less remunerative occupations. I say less remunerative, because if this were not the case they need not be bolstered up by duties which compel the agricultural community to pay some 10 per cent. more for much of what they require. I could understand a nation making some sacrifice to encourage a healthy country life and keep the people away from the slums of great cities. The opposite policy fills me with regret and astonishment, though, of course, Australians must judge for themselves.

Another argument is that Preference would strengthen our union with the Colonies. Is this so ? Already we have heard the complaint that we have "slammed the door in their face," when the facts are that we admit all their produce free from duties, while they put heavy ones on ours, not for revenue, but avowedly to keep them out. So far from having "slammed" our door in their face, it stands freely open, while theirs is closed and entrance is only permitted on payment of heavy fees.

As soon as we began to arrange and bargain about duties we should find endless difficulties between different Colonies and different interests in each Colony. The duties would prove bones of contention rather than bonds of union. Here, again, I may quote Mr. Chamberlain. Speaking in 1897 he said :—

"Anything in the direction of an Imperial Commercial League would weaken the Empire internally and excite the permanent hostility of the whole world. It would check the free import of the food of the people. It is impracticable, but if it were practicable, and done in the name of Empire, it would make the Empire odious to the working people, it would combine the world against us, we would be a cause of irritation."

DIFFICULTIES OF PREFERENCE.

And how is Preference to be given? Take Canada and Australia.

The Canadian wheat ripens late, and, reaching the coast when the Canadian ports are closed, comes to us in bond through the courtesy of the United States. It is true that there are three small ports still open, but they are quite unsuited for the purpose, and the increased railway expenses would be almost prohibitive.

This, it seems to me, places a preferential agreement as regards Canadian wheat out of the pale of practical politics.

Take Australia and New Zealand. Our principal import from Australasia is wool. But no preference on wool would benefit Australasia, for the simple reason that she produces more than we consume. Even as it is, much of the Australasian wool goes to the Continent, because it cannot be used up here.

A Preference on wool would, therefore, be no advantage to Australia.

EFFECT OF PROTECTION ON HOME TRADE.

But it is sometimes said that if we make an article at home instead of importing it we make two profits instead of one, and secure increased employment for our people. The argument seems to be that if we buy, say, certain silk goods worth £1,000, the foreigner secures the profit and wages; while if we make them here our countrymen do so. That, however, is not a complete statement. How do we pay for the silk? By an export of equivalent value, say, of cotton goods or iron. If, then, we make more silk goods and less cotton or iron, there is no doubt an increase of employment in the silk industry, but, on the other hand, there is a corresponding diminution in that of cotton or iron. Moreover, we get more silk goods by the amount of labour spent on the iron or cotton goods than if it was devoted to the production of the silk goods directly. But it is said that we might make both the iron and the silk, and so make two profits. Is this so?

Why are we to assume that it is possible to sell more goods at home? If this can be done, such a transaction may stand by itself. Let us make the goods and sell them at home. But, as regards the

silk, it will still be better, instead of making the silk, to make more iron or cotton goods, and exchange them for silk. The employment of labour will be the same, and we shall get more silk if we spend our time on iron or cotton than if we devote it directly to the silk itself.

Everyone sees this in the case of wine or oranges, tropical spices or fruits. The same argument applies where the difference of advantage is less. When the difference vanishes, the exchange will pay the cost of the transport and will cease. We cannot secure more employment by diverting our energies from a more profitable to a less profitable industry.

THE FUTURE OF BRITISH COMMERCE UNDER FREE TRADE.

When we consider the very high duties imposed by various countries on our goods—duties imposed not for revenue, but to keep out our products, or, as it is euphemistically called, to "protect native industries"—it seems at first wonderful that we can do business with them at all. The average duties imposed on our goods are estimated by the Board of Trade*—to take a few of the highest and the lowest—as: By Russia, 131 per cent.; by the United States, 73 per cent.; by France, 34 per cent.; by Germany, 25 per cent.; by Canada, 17 per

*Memoranda, Cd. 3337, 1904.

cent.; while in contrast may be mentioned: Switzerland, 7 per cent.; China, 5 per cent.; and Holland only 3 per cent.

Yet, in spite of this, we send into the United States £53,240,325; into Russia, £15,942,057; into Germany £33,600,000, and into France £28,784,829.*

The explanation, no doubt, partly is that, firstly, manufacturers in these countries take advantage of their own countrymen, raise prices to the extent of the duties, and put the money into their own pockets at the expense of the community. This enables our manufacturers to pay the duties and yet compete with them.

And, secondly, no country produces all that it requires. It is impossible to protect manufactures which do not exist. If a country requires anything which it cannot, or does not, produce—some metal, some machinery, woollen or cotton or linen goods of some special pattern or texture, and a hundred other illustrations might be given—it must import them and pay the duty. So enormously varied are the requirements of civilised men (and women) that even now, in spite of the ingenuity of lawmakers and the multiplicity of duties, a considerable proportion of our exports are of non-dutiable products.

These considerations seem to me to relieve us from the apprehensions felt by some of our states-

* Stat. Abs., United Kingdom, 1907 (Cd. 3691), p. 65.

men that if foreign countries and our own Colonies become more and more Protectionist they will thus more and more restrict our Commerce.

We may regret that the United States, and our own Colonies, instead of developing their enormous agricultural resources, have preferred to compete with us in the matter of manufactures. They have suffered very much from this short-sighted policy. If they had adopted a different course they would have made much more progress, and we should have shared in their prosperity!

We may regret it, but we have no right to complain.

By this short-sighted policy they have deprived, and, as long as it lasts, will deprive, their own people of many comforts, make their life less pleasant and more expensive; they may restrict their own trade, but they would shut themselves out of neutral markets.

We should, on the other hand, have the advantage of cheap raw materials, and whatever any other country required, if they could not produce it and we could, they would find it to their advantage to purchase of us, rather than from any Protectionist country. In fact, Protectionist countries would surrender, as I have shown that they have already to a great extent surrendered, to us the neutral markets, so far as we can supply them and they cannot supply themselves. Such markets are so numerous and so

wide that we need have no fear for our Commerce in the future so long as we maintain our Free Trade policy. Our trade, therefore, is not, as is sometimes supposed, at the mercy of other countries; they may injure their own Commerce, they may injure their own countrymen, they may to some extent diminish the Commerce of the world (and ours as part of it), but they will restrict and injure their own most.

If all the rest of the world became Protectionist we should still be wise to remain Free Traders.

I think, then, it is proved to demonstration :—

1. That our Commerce and Manufactures are expanding.
2. That, though particular trades might be benefited by Protection, it would be at the expense of others and of the general community: that our Commerce as a whole benefits by Free Trade and would suffer by Protection.
3. That duties on Imports are paid by Consumers, and consequently that Protection would raise prices.
4. That Tariff wars are disastrous.
5. That while freer trade with the Colonies would benefit them even more than us, no practicable system of Preference has yet been suggested; and that the bargaining that would be a necessary pre-

cedent, and the conflict of interests which would be raised, would be more likely to disintegrate than to consolidate the Empire.

The late Lord Goschen once implored us not to gamble with the food of our people. I most anxiously hope that we shall not gamble with the Commerce of the country. I trust, however, and fully believe that the sagacity and common sense of our countrymen will retain and maintain our system of Free Trade, under which our Commerce has attained a magnitude and prosperity unsurpassed and unexampled in the history of the world.

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